

Subject to FRE 408 – Settlement Discussions

EAST BROADWAY MALL

PRIVILEGED AND CONFIDENTIAL TERM SHEET

This is Not a Binding Agreement to Enter into a Lease

Parties to Lease Restructuring Agreement

The lease restructuring agreement (the "Agreement") shall be entered into by and among The City of New York (the "City"), and Broadway East Group, LLC ("BEG").

Effective Date of Agreement

The effective date (the "Effective Date") of the Agreement shall be the date upon which said Agreement and all exhibits thereto have been fully executed by the parties or their counsel of record, as the case may be, and copies of the original counterparts as executed by the signatories have been delivered by email to counsel for the parties, and all approvals as required below have been obtained.

Material Terms of Agreement

- New Lease & Terms: 30 years (20 year initial term plus 10 year renewal term)
- Space: East Broadway Mall, 88 East Broadway, New York, NY (the "Property")
- Rent Concession: No rent for first 18 months after lease effective date
- PILOT Concession: No Pilot during rent concession period
- PILOT: After conclusion of rent concession period, PILOT will start based on actual Department of Finance assessment
- PILOT Escalation: PILOT payments are based on actual Department of Finance assessment
- Initial Rent Amount: After conclusion of rent concession period, annual rent shall be \$350,000 payable in monthly installments
- Rent Escalation: 3% annual rent escalation commencing on the 3rd anniversary of the Effective date until the expiration of the lease, including the renewal term.
- Rent Security: Three (3) months' rent
- Improvement Amount: BEG will invest a minimum of \$1,000,000 to improve the building to be completed within 18 months of the lease effective date, and must submit to DCAS proof of the expenditures made prior to the expiration of such 18-month period:
 - The building must be brought into compliance with all codes, laws and ordinances; and
 - certain agreed upon capital and aesthetic improvements to the interior and façade of the building must be completed prior to conclusion of the rent concession period
- Additional Conditions

- All existing subtenants shall remain in mall under their respective current lease terms, for a five (5) year period
- BEG shall not assume or be subject to any liabilities from the prior ownership, including rent security, back wages, lawsuits, liens or any other payment.
- Effectiveness of Agreement is subject to further City approvals, including Borough Board approval and Mayoral Authorization
- Lump Sum Payments of \$2,700,000 by BEG:
 - Payment to Bank of Hope: \$1,350,000 to be made upon lease signing (the "BOH Payment")
 - Payment to City: \$1,350,000, which along with the other requirements of the Lease is a material term. \$675,000 due at lease execution and \$675,000 due 12 months after lease execution
- BEG may assign its rights under the Agreement to an affiliate under BEG's control, upon written approval of the City, not to be unreasonably withheld.
- No Further payments to BOH following BOH's receipt of the BOH Payment from BEG and upon such payment, it is the understanding of the Parties that BOH shall exchange mutual general releases, releasing the City and BEG. All future rent, including PILOT and base rent payments are to be made to the City.
- It is the understanding of the Parties that BOH shall deliver the release of all liens on the Property, including mortgage liens, upon lease signing.
- The parties to this Term Sheet shall use best efforts to consummate the Agreement and to obtain any necessary consents or approvals, including consents and approvals from applicable agencies of the City of New York, the New York City Comptroller, East Broadway Mall ("EBM"), and/or the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court").

Execution

A PDF or facsimile copy of the Term Sheet as executed shall have the same force and effect as the original document.

Broadway East Group as Lease Tenant

By: 

Dated: 7/22/2012

Title: Managing Partner

Soong & Liu

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Therese T. Liu

By email: jsullivan@windelsmarx.com
and By First Class Mail

April 11, 2023

James Sullivan, Esq.
Windels Marx Lane & Mittendorf LLP
156 West 56th Street
New York, NY 10019

Re: NEW BID
88 East Broadway, New York, New York ("Property")
Bank of Hope ("Bank")
In Re East Broadway Mall
U.S. Bankruptcy Court
S.D.N.Y. Case No. 19-12280-DSJ

Dear James:

As you know, this office represents Bill Lam and his partners (the "Group"), who have formed Broadway East Group, LLC for purposes of being designated the approved tenant in the ongoing Chapter 11 bankruptcy proceedings in the Southern District.

Please accept this letter as our second revised offer and New Bid to amend our previous term sheet, in order to proceed as the designated new tenant to the space.

Revised Terms (some defined terms as appear in the previous Second Amended Disclosure Statement):

- (A) Lump Sum Payments in the Aggregate of \$4 Million (Four Million Dollars) by Tenant:
 - (i) Payment to Bank: \$2 Million (Two Million Dollars) to be made upon Agreement Effective Date;

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- (ii) Payment to City: \$2 Million (Two Million Dollars) to be made as approved between City and Tenant.

There shall be no initial financing, institutional or otherwise, in connection with these payments.

- (B) Improvement Amount: The Group, as Tenant, shall invest a minimum of \$5 Million (Five Million Dollars), which shall also be self-funded. For purposes of this bid, Tenant shall assume that the entire second floor space previously used as a restaurant shall be immediately available to Tenant for construction and renovation. Tenant believes that its actual cost will be not less than Five Million Dollars, based upon its inspections and its review with the City, over the past two years, of the physical space. In addition to the redesign of the exterior space and a deep upgrade of the infrastructure and all interior systems, Tenant shall re-design the ground floor commercial spaces to foster a higher level of retail presentation and services, and the second floor space shall be made to accommodate a first class restaurant.
- (C) Regarding the Administrative Expenses to consummate the Plan, and allowed Administrative Expenses, Allowed Priority Claims, and Allowed Priority Unsecured Claims, Tenant agrees to pay or cover a one third share. Tenant acknowledges and agrees that this share shall include tax claims and other NYC priority claims.
- (D) Base Annual Rent: Tenant agrees to a rent of \$450,000.00 (Four Hundred Fifty Thousand Dollars), with a rent escalation of 3% starting with the third anniversary.
- (E) Sub-Tenant Protection: Tenant agrees that existing subtenants shall remain in place, with new leases at current rent, subject to verification of current leases, for a minimum of two (2) years, with a possible third year, with the rental to increase in the third year in proportion to the increase to annual base rent in the ground lease. To accommodate the capital improvements, Tenant shall seek to temporarily relocate subtenants, on a case-by-case basis, to mutually agreeable locations within the same Mall.

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- (F) Rent Concession: Tenant agrees that no base rent or PILOT shall be paid for the first sixteen (16) months from the effective date of the lease.

As I have previously expressed, the Group has valued its relationships with the Bank and the City during the past two and a half years, to the point that the parties are on the verge of a major redevelopment that will infinitely improve what has been a difficult location in the community, and presumably relieve some of the financial distress caused by what has previously been in place. We firmly believe our bid will stand as the best offer over the long term, without hesitation. Given the screening that the City has done on my client, I would ask that the parties rise above any smaller differences that may exist among various constituencies, and make their decisions based truly on the greater economic well-being of the community and of all that are involved.

Please advise as soon as possible as to your actions, and thank you for your consideration.

Yours truly,

ARTHUR J. SOONG

AJS/fh

c.c. Zachary Kass (zkass@law.nyc.gov)
Bill Lam

Acknowledged and Confirmed


BROADWAY EAST GROUP, LLC
By: BILL LAM Managing Member


Dated: